



***United States Attorney
District of New Jersey***



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**CEO OF CAPITOL INVESTMENTS USA, INC. INDICTED FOR \$880 MILLION
PONZI SCHEME BASED ON PHONY GROCERY BUSINESS**

NEWARK, N.J. – A federal grand jury indicted Nevin Shapiro, former owner and Chief Executive Officer of Capitol Investments USA, Inc. (“Capitol”), today for allegedly overseeing a \$880 million Ponzi scheme linked to his purported wholesale grocery distribution business, United States Attorney Paul J. Fishman announced.

The Indictment charges Shapiro, 41, of Miami Beach, Florida, with using Capitol to solicit hundreds of millions of dollars from individuals who believed they were investing in Shapiro’s grocery distribution business. The Indictment alleges that Capitol had no active wholesale grocery business during the relevant time period, and that Shapiro used new investor funds to make principal and interest payments to existing investors, as well as to fund his own lavish lifestyle.

Shapiro was previously charged by Complaint and surrendered to special agents of the Federal Bureau of Investigation (“FBI”) and the Internal Revenue Service (“IRS”) on April 21, 2010, in Newark. He has been in federal custody since that time. The Complaint charged Shapiro with one count each of securities fraud and money laundering; the Indictment adds one count of conspiracy to commit securities and wire fraud, two counts of wire fraud, and one count of money laundering. The Indictment also seeks forfeiture of any money or property identified as proceeds from the offenses.

According to the Indictment and other documents filed in this case in Newark federal court:

From January 2005 through November 2009, Shapiro solicited investors from New Jersey and throughout the United States through Capitol, telling them that he would use their money to fund his wholesale grocery distribution business. To induce those investors, Shapiro directed others to create and show to the investors documents fraudulently touting Capitol’s profitability. Those documents included: financial statements, profit and loss figures that fraudulently represented that Capitol’s wholesale grocery business was generating tens of millions of dollars in annual sales; personal and business tax returns for Shapiro and Capitol which also fraudulently reflected those sales; and numerous invoices fraudulently reflecting transactions between Capitol and other companies in the wholesale grocery business.

As a result of these solicitations, more than 60 victim investors, including from New

Jersey, sent over \$880 million to Shapiro and Capitol during this time period. Beginning in January 2009, Shapiro and Capitol began failing to make required principal and interest payments to investors. At the time, Shapiro told investors, among other things, that the payments were not being made because Capitol's vendors were late in making payments, Capitol was suffering from cash flow problems, and that Shapiro's accountant was on vacation.

Shapiro misappropriated approximately \$35 million in investor funds for his personal use, including paying millions of dollars in debts resulting from illegal gambling on sporting events. Using investor money, he also spent, at various times, more than \$400,000 for floor seats to watch the Miami Heat professional basketball team; approximately \$26,000 per month for mortgage payments on his residence in Miami Beach, recently appraised at approximately \$5.3 million; approximately \$7,250 per month for payments on a \$1.5 million dollar Riviera yacht; and approximately \$4,700 per month for the lease of a Mercedes-Benz automobile.

Shapiro also used stolen funds to purchase a pair of diamond-studded handcuffs, which he gave as a gift to a prominent professional athlete, as well as to make \$150,000 in donations to the athletic program of a local university in the Miami area. As a result of a 10-year gift to the university, the Nevin Shapiro Student-Athlete Lounge at the university was named for the defendant.

Shapiro and Capitol were forced into bankruptcy in November 2009. At that time, they owed more than \$100 million to victim investors.

If convicted, Shapiro faces the following maximum potential penalties per count of the Indictment:

Charge	Maximum Potential Penalty Per Count
Count One – conspiracy to commit securities fraud and wire fraud	Five years in prison; fine of \$250,000 or twice the gross gain or loss from the offense
Count Two – securities fraud	20 years in prison; fine of \$5 million
Counts Three and Four – wire fraud	20 years in prison; fine of \$250,000 or twice the gross gain or loss from the offense
Counts Five and Six – money laundering	10 years in prison; fine of \$250,000 or twice the gross gain or loss from the offense

U.S. Attorney Fishman credited special agents of the FBI, under the direction of Special Agent in Charge Michael B. Ward, and special agents of the IRS – Criminal Investigation Division, under the direction of Special Agent in Charge William P. Offord, for the continuing investigation which led to the Indictment. Fishman also thanked the Securities and Exchange

Commission's Miami Regional Office, under the direction of Eric Bustillo.

The government is represented by Assistant U.S. Attorneys Justin W. Arnold and Jacob T. Elberg of the United States Attorney's Office Criminal Division in Newark.

This case was brought in coordination with President Barack Obama's Financial Fraud Enforcement Task Force. President Obama established the interagency Financial Fraud Enforcement Task Force to wage an aggressive, coordinated, and proactive effort to investigate and prosecute financial crimes. The task force includes representatives from a broad range of federal agencies, regulatory authorities, inspectors general, and state and local law enforcement who, working together, bring to bear a powerful array of criminal and civil enforcement resources. The task force is working to improve efforts across the federal executive branch, and with state and local partners, to investigate and prosecute significant financial crimes, ensure just and effective punishment for those who perpetrate financial crimes, combat discrimination in the lending and financial markets, and recover proceeds for victims of financial crimes.

The charges and allegations made in the Indictment are merely accusations, and the defendant is considered innocent unless and until proven guilty.

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Defense Counsel: Maria Elena Perez, Esq., Coral Gables, Florida